nstitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Secondary Issue

File

PEERLESS RUG LIMITED

400,000 Common Shares

(without nominal or par value)

The common shares offered by this prospectus are being sold by the selling shareholders whose names and holdings are shown under "Selling Shareholders" on page 10. The Company will receive no part of the proceeds from the sale of these securities.

There is no market for the common shares of the Company and the price for this offering was determined by negotiation between the selling shareholders and the underwriters. Reference is made to "Book Value" on page 7.

Applications have been made to list the common shares on the Toronto and Montreal stock exchanges. Acceptance of such listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

In the opinion of counsel, the common shares will be investments in which a company registered under Part III of the Canadian and British Insurance Companies Act may invest its funds without resorting to the provisions of subsection 4 of Section 63 of the said Act and will also be investments in which the funds of a pension plan registered under the Pension Benefits Standards Act may be invested under Schedule C to the Regulations under such Act without resorting to the provisions of Section 4 of the said Schedule C.

Price: $11.25 per share

	Price to Public	Underwriting Discount	Proceeds to Selling Shareholders (1)
Per Share	$ 11.25	$ .70	$ 10.55
Total	$4,500,000	$280,000	$4,220,000

(1) Before deduction of expenses of issue payable by the selling shareholders, estimated at $100,000.

We, as principals, conditionally offer these common shares subject to prior sale, if, as and when delivered to and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" on page 7, and subject to approval of all legal matters on behalf of the Company and the selling shareholders by Messrs. Phillips & Vineberg, Montreal, and on our behalf by Messrs. Stikeman, Elliott, Tamaki, Mercier & Robb, Montreal.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or before October 19, 1972.

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The Company

Peerless Rug Limited—Les Tapis Peerless Limitée (the "Company") is the continuing company resulting from an amalgamation agreement between Peerless Rug Co. Ltd., incorporated by Letters Patent dated May 26, 1954 and Carolyn Chenilles of Canada, Ltd., incorporated by Letters Patent dated February 25, 1955, which agreement was confirmed by Letters Patent of amalgamation under the laws of Canada dated April 12, 1966.

By Supplementary Letters Patent dated December 29, 1971 all of the issued and unissued preferred and common shares of the Company were converted into common shares without nominal or par value, its authorized capital was increased, its name was changed from Peerless Rug Limited to Peerless Rug Limited—Les Tapis Peerless Limitée and it became a public company. On the same day, the Company and its shareholders completed the reorganization referred to under "Recent Reorganization" on page 11 and the Company thereby acquired its present subsidiaries, all of which are wholly-owned.

By Supplementary Letters Patent dated August 30, 1972 the 2,000,000 authorized common shares of the Company were subdivided into 4,000,000 common shares of which 2,000,000 are issued and outstanding.

The address of the head and principal office of the Company is Place Bonaventure, Montreal, Quebec.

Business of the Company

History and Development

The Company together with its subsidiaries (collectively referred to as "Peerless") is a leading Canadian producer of carpeting and associated products, including room size rugs, area rugs, bath mats and bath sets. Peerless also manufactures blankets and bedspreads. In 1954 Bram Garber and the late Isidore Nusblatt formed Peerless Rug Co. Ltd. to manufacture in Canada a line of chenille bath mats previously imported by a company controlled by Mr. Garber from businesses in the United States controlled by Mr. Nusblatt. In 1955 production was extended to include chenille bedspreads and, shortly thereafter, tufted viscose broadloom carpet. Other synthetic fibres were progressively introduced into the production of broadloom, the most significant being nylon which presently represents over 80% of the Company's carpet production. Blanket manufacturing commenced in 1959.

The following table sets forth sales of Peerless (in thousands of dollars) for the five years ended February 29, 1972 and the three months ended May 31, 1971 and 1972, respectively:

	Year ended last day of February										Three months ended May 31			
	1968		1969		1970		1971		1972		1971 (Unaudited)		1972	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Broadloom Carpets	8,900	59	12,054	66	12,872	64	12,457	68	17,184	72	3,582	74	5,386	79
Other Products	6,307	41	6,337	34	7,150	36	5,932	32	6,807	28	1,240	26	1,396	21
TOTAL	15,207	100	18,391	100	20,022	100	18,389	100	23,991	100	4,822	100	6,782	100

Carpet Industry

There are currently more than 20 manufacturers in the Canadian carpet industry, a number of which are subsidiaries or divisions of foreign corporations. Approximately 90% of total domestic carpet consumption was supplied by these manufacturers during 1970, the last year for which statistics are available. The Canadian carpet industry benefits from tariff protection, which currently requires payment of a minimum of 20% of value plus a minimum of 5 cents per square foot on imported carpets.

Total Canadian carpet shipments have increased from approximately $95 million in 1966 to approximately $160 million in 1970. The development of the carpet tufting process and the use of synthetic fibres, the principal innovations in the carpet industry in recent years, have contributed to the broadening of the market for carpeting and the growth of the Canadian carpet industry.

Tufting, introduced to carpet manufacturing in the early 1950's, is a process whereby yarn is looped and inserted by multiple needles into jute or synthetic backing. Tufted carpeting accounted for approximately 73% of total Canadian carpet shipments during 1970. Synthetic fibres have largely displaced wool and other natural materials in the manufacture of carpets. Nylon is the most widely used synthetic fibre in Canadian carpet production; other synthetic fibres used include acrylics, polypropylenes and polyesters.

Products

The Company manufactures approximately 80 styles of tufted carpet in a variety of colours and in virtually all of the major tufted carpet style groups, including shags, plushes, hi-lows, shears and level-loops. A variety of grades, patterns, colours and widths are produced within each style group. The Company also produces carpeting under its "Printuft" process, which offers high-speed production of printed broadloom in a variety of custom designs.

The Company generally sells its carpets, which are designed for both residential and commercial use, in rolls of standard length of 95 feet and widths of up to 12 feet. Most of the carpet is sold to wholesale distributors and major Canadian retail chains, which usually market the carpet under their own brand names. The Company's carpets retail in a broad price range but most are designed for the low and medium price markets.

Carpet products are to an increasing degree affected by style and fashion. Established styles account for most of the Company's sales although the Company has introduced an average of 12 new styles in each of the last three years. Certain styles are also discontinued each year but the aggregate number of available styles has increased in recent years.

The Company manufactures packaged room-size rugs in a variety of styles and colours, including some of the styles and colours available in the broadloom carpet sold in rolls. In addition, it manufactures tufted area and scatter rugs, which are smaller than room-size rugs, and tufted bath rugs and bath sets under the name "Peerless". Silhouette (1964) Ltd. ("Silhouette"), a subsidiary of the Company, manufactures a higher price line of area, scatter and bath rugs and bath sets sold under the "Silhouette" name.

LaSalle Blanket Co. Ltd. ("LaSalle"), a subsidiary of the Company, manufactures blankets from blends of synthetic fibres in various styles and colours, primarily in the medium price range. Tufted bedspreads are produced by the Carolyn Chenille division of the Company and non-woven bedspreads are manufactured by LaSalle.

Recent government regulations have established fire resistance standards for Peerless' products other than carpets. Peerless believes that its products comply with such regulations. Peerless has been informed that similar regulations will soon be instituted with respect to carpets and anticipates no difficulty in complying with such regulations.

Raw Materials

The principal raw materials used by Peerless are synthetic yarns made from nylon and, to a lesser extent, from acrylic, polyester and polypropylene fibres; jute and synthetic backing materials, including foam rubber and latex; dyes and chemicals. In addition, cotton duck backing, a heavy fabric similar to canvas, is used in the production of area and scatter rugs and of bath mats.

Peerless purchases most of its yarn and fibre on the open market from a number of North American producers and does not depend upon any one supplier. The balance of its yarn requirements is purchased from a subsidiary, Moose River Mills Ltd. ("Moose River"), which converts fibre purchased on the open market into yarn at its spinning mill located in Acton Vale, Quebec. Most of the production of Moose River is sold to Peerless but Moose River also does contract spinning for other customers.

All foam and latex used by Peerless in the finishing process is purchased from a subsidiary of the Company, Kase Chemical Incorporated ("Kase"), which purchases raw materials from a number of suppliers and manufactures the required foam and latex to Peerless' specifications.

Jute, imported principally from India, is the only raw material not manufactured in North America, and its availability and cost may be affected by international, political and economic developments. Jute currently constitutes approximately 50% of the backing used in Peerless products; synthetic backing, consisting mainly of woven and non-woven polypropylene, accounts for most of the balance. Peerless expects to reduce its dependence on jute through the increased utilization of synthetic backing, available from a number of Canadian suppliers.

Manufacturing

Carpet manufacturing operations include tufting, piece-dyeing, finishing and shearing. Various styles, patterns and textures may be achieved depending upon the type of tufting machine used and the set-up of the machine, while colour variation is obtained by piece-dyeing the carpet after tufting or using pre-dyed yarn. Peerless uses several types of

undyed yarn, space-dyed yarn and stock-dyed yarn to produce carpets with a wide range of solid and multi-coloured effects. Following tufting and, where applicable, piece-dyeing, the carpet is passed through an oven for the application and curing of secondary backing and finishing. A layer of latex is applied to the primary backing of the carpet and simultaneously a second backing, made of jute or synthetic foam rubber, is applied. The carpet is trimmed, and may be sheared depending on the effect desired. The carpet undergoes a final inspection, is rolled and wrapped, and is then ready for distribution.

Scatter rugs, bath rugs and bath sets are manufactured on small tufting machines utilizing different blends of fibres. Following tufting, backing is applied and the undyed rolls are cut into the basic pieces required, which are then finished and piece-dyed. Goods are then packaged for shipment, but in certain instances, particularly in the Silhouette product line, additional finishing steps are involved, generally taking the form of over-laying individual rug or bath sets with coloured yarns to produce a patterned effect.

Bedspreads are manufactured on conventional tufting machines and on special machines for non-woven fabrics; blankets are manufactured on these special machines and on looms.

The Company exercises quality control at different stages of the manufacturing process. Certain raw materials such as yarn and backings are tested before manufacturing to ascertain that they conform to the Company's specifications; face weight and dyeability of the broadloom are spot-checked before dyeing, and all of the Company's dye formulae are tested at regular intervals. All of the Company's products are subjected to a series of tests to evaluate their resistance to abrasion, discolouration and fire, and similar tests are conducted periodically by independent organizations and their findings matched against the specifications of various bodies.

Sales and Distribution

Broadloom and room size rugs are sold under the name "Peerless" or under private labels by a national sales force directed from Peerless' head office in Montreal. The principal customers are retail chains and nine distributors across Canada, most of which are located in Ontario and Quebec. Seven of these distributors are independent and carry Peerless products on a non-exclusive basis. The other two, Maritime Carpet Distributors Ltd. and McGrath Carpets Ltd., are 50%-owned by the Company and presently have sole and exclusive distributorships, subject to Peerless' right to sell directly to specified retail chains, the former in the Maritime Provinces and the latter in British Columbia, the Yukon and the Northwest Territories.

All other products are sold nationally by a separate Peerless sales force. Customers include retail chains and mail-order houses and, to a minor extent, smaller retail outlets.

The largest customer of Peerless accounted for approximately 19% of Peerless' sales for the year ended February 29, 1972. The five largest customers (including distributors) accounted for approximately 53% of the sales of Peerless for the same year.

Properties

Peerless owns all its principal manufacturing and warehousing facilities. The location, approximate area and use of each of these properties are summarized in the following table:

Location	Approximate Area	Use
Roxton Boulevard Acton Vale, Quebec	200,000 sq. ft.	Yarn production and broadloom tufting
Bernard Street Acton Vale, Quebec	115,000 sq. ft.	Broadloom dyeing, finishing and inspection, and foam and latex preparation
Roxton Boulevard Acton Vale, Quebec	60,000 sq. ft.	Finishing, packaging and warehousing of room size rugs and warehousing of broadloom
St. André Street Acton Vale, Quebec	30,000 sq. ft.	Production of bath mats and scatter rugs
Lemay Street Acton Vale, Quebec	60,000 sq. ft.	Production of bath mats, scatter rugs and chenille bedspreads
Cap St. Ignace, Quebec	60,000 sq. ft.	Production of blankets and non-woven products

Peerless has commenced an expansion of certain of its facilities at Acton Vale, involving construction of additional warehousing for broadloom, acquisition of additional tufting machines and installation of a continuous dyeing and finishing machine and an automated inspection system. The Company presently estimates the cost of implementing this expansion to be approximately $1,250,000. Peerless has obtained commitments from lenders for $850,000 of new long term debt at various maturity dates and rates approximating current rates to partially finance this project. The balance is being financed from internally generated funds. An amount of $225,000 has been borrowed to date.

Management and Employees

Peerless has approximately 650 employees in Acton Vale, 100 in Cap St. Ignace and a head office staff and national sales force of approximately 30. Three collective agreements cover the employees in Acton Vale, all of whom are represented by the Textile Workers' Union of America. One agreement expires in May 1974; the other two in August 1974. Employees of LaSalle at Cap St. Ignace are represented by "Le Syndicat du Textile de Cap St. Ignace–C.S.N.", and the present labour agreement expires in November 1973. Peerless has not experienced any significant work stoppage in the last five years and believes its labour relations to be satisfactory.

Bram Garber, the President, has been associated with the Company since its inception, and has executive responsibility for the overall operations of Peerless and direct responsibility for broadloom operations. George Fisher, Executive Vice-President, joined the Company in 1965 and is responsible for administration and finance. Robert Caine, Senior Vice-President, joined the Company in 1955 and is responsible for all divisions other than broadloom. Merchandising is the responsibility of four national product managers and the senior manufacturing and technical development staff is comprised of five executives.

Consolidated Capitalization of Peerless Rug Limited

	Authorized	Outstanding as at May 31, 1972	Outstanding as at July 31, 1972
Peerless Rug Limited:			
Secured bank loans (1)			
Current, bearing interest at ½% over prime bank rate		1,130,000	888,000
Term, payable in monthly instalments of $8,000 to 1975, bearing interest at 1½% over prime bank rate		296,000	280,000
Moose River Mills Ltd.:			
Secured bank loans (1)			
Current, bearing interest at ¾% to 1¼% over prime bank rate		293,000	447,000
6½% first mortgage loan, payable in monthly blended capital and interest instalments of $6,487 to September 1977 and $2,600 to July 1980		370,570	362,293
Notes payable to shareholders of Peerless Rug Limited			
7½% notes due December 29, 1973–U.S. funds		310,000	310,000
7½% notes due December 29, 1973–Can. funds		20,000	20,000
LaSalle Blanket Co. Ltd.:			
Secured bank loans (1)			
Current, bearing interest at ¾% over prime bank rate		401,000	428,000
11% first mortgage loan payable in monthly instalments of $3,000 to 1977		198,000	192,000
Sundry indebtedness		279,554	307,175
Capital stock (2) (3)			
Common shares without nominal or par value	4,000,000 ($25,000,000)	2,000,000 ($1,025,000)	2,000,000 ($1,025,000)

NOTES:

1. Bank loans are secured by assignments of inventories and accounts receivable.
2. The authorized and issued share capital gives effect to Supplementary Letters Patent dated August 30, 1972 pursuant to which the authorized capital of the Company, consisting of 2,000,000 common shares, was subdivided into 4,000,000 common shares, of which 2,000,000 are issued and outstanding.

   The stated value of the outstanding common shares of the Company is that resulting from the pooling of interests more fully described in Notes 1 and 6 of Notes to Consolidated Financial Statements on pages 17 and 18, respectively.
3. In addition to the stated dollar value of its outstanding common shares as shown above, the Company had consolidated contributed surplus of $234,648 and consolidated retained earnings of $6,180,295 at May 31, 1972.
4. For information regarding obligations under leases, reference is made to Note 9(c) of Notes to Consolidated Financial Statements on page 18.
5. For information regarding new long term indebtedness, reference is made to Note 9(b) of Notes to Consolidated Financial Statements on page 18.

Plan of Distribution

Under an agreement dated October 3, 1972 between the Company, the selling shareholders listed under "Selling Shareholders" on page 10 and White, Weld & Co. of Canada Ltd. and Dominion Securities Corporation Limited as underwriters, the selling shareholders agreed to sell 400,000 common shares and the underwriters agreed to purchase on October 19, 1972 subject to the terms and conditions stated therein, all but not less than all such shares in the proportion of 50% each at a price of $10.55 per share payable in cash against delivery of such shares. The common shares purchased by White, Weld & Co. of Canada Ltd. will be offered for sale to the public only in the Province of Quebec. The obligations of the underwriters under such agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and also may be terminated upon the occurrence of certain stated events.

Common Shares

Description

The common shares without nominal or par value are the only authorized shares of the Company. Each holder thereof is entitled to one vote for each common share held and to share ratably in any dividends or other distributions to shareholders. All common shares outstanding are fully paid and non-assessable.

Book Value

Based on its consolidated balance sheet as at May 31, 1972, the book value of each common share of the Company, after giving effect to the 2-for-1 subdivision of the common shares on August 30, 1972, was $3.72, which is $7.53 per common share less than the price at which common shares are being offered by this prospectus.

Dividends

No dividends have been paid by the Company to date. On August 30, 1972, the directors of the Company declared their intention to pay a regular quarterly dividend of 4 cents per common share commencing in February 1973. Payment of dividends will be subject to the discretion of the board of directors, based on the financial position and operating results of the Company.

Prior Sales

Other than the common shares of the Company issued upon the conversions and exchanges referred to under "Recent Reorganization" on page 11, no common shares of the Company have been issued by the Company or sold by the selling shareholders within the 12 months preceding the date of this prospectus.

Directors and Officers

The names, home addresses, and positions and offices held with the Company by each officer and director thereof, together with their principal occupations are as follows:

Name and Home Address	Office	Principal Occupation
Bram Garber, 3445 Drummond Street, Apartment 1201, Montreal, Quebec.	President and Director	President of the Company.
George Joseph Fisher, 4850 Côte des Neiges, Apartment 812, Montreal, Quebec.	Executive Vice-President, Treasurer and Director	Executive Vice-President of the Company.
Robert Samuel Caine, 15 Kirkwood Avenue, Beaconsfield, Quebec.	Senior Vice-President, Assistant-Secretary and Director	Senior Vice-President of the Company.
Edward Alan Nusblatt, 63 Prospect Avenue, Hewlett, Long Island, New York.	Vice-President and Director	Vice-President and Assistant to the President of Sweetwater Carpet Corp. ("Sweetwater").
Robert Bennett Jablow, 1046 Channel Road, Hewlett Harbor, Long Island, New York.	Director	President and Treasurer of Sweetwater.
Elsa Nusblatt, East Rockaway Road, Hewlett, Long Island, New York.	Director	Employee of Sweetwater since January 1972 and prior thereto self-employed in the business of property and equipment leasing.
Ivan Edward Phillips, 47 Forden Crescent, Westmount, Quebec.	Director	Lawyer, Phillips & Vineberg.
Bernard Pollack, No. 7 The Hemlocks, Roslyn Estates, New York.	Director	Certified Public Accountant, Bernard Pollack & Company.
David Miles Price, 50 Aberdeen Avenue, Westmount, Quebec.	Director	Vice-President of White, Weld & Co. of Canada Ltd.
Herbert Sandler, 155 East 38th Street, New York, New York.	Director	Consultant, Bankers Trust Co.
Jerome Bennett Schulman, 15 Thixton Drive, Hewlett Harbor, Long Island, New York.	Director	Executive Vice-President of Sweetwater.
Lois Audrey Jemima Howell, 7766 Centrale, Apartment 23, Ville LaSalle, Quebec.	Secretary	Secretary of the Company.

Except as otherwise indicated, during the past five years all of the directors and officers of the Company have been associated in various capacities with the companies or firms (or associated companies or firms) indicated opposite their names under "Principal Occupation".

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company to its directors and senior officers during the year ended February 29, 1972, was $196,958 and during the five months ended July 31, 1972 was $114,314. It is estimated that such remuneration during the current financial year will be approximately $248,250. The estimated aggregate cost to the Company for the year ended February 29, 1972 of all pension benefits proposed to be paid, directly or indirectly, to the directors and senior officers of Peerless under its pension plan in the event of retirement at normal retirement age is $7,448.

On October 2, 1972 the Company entered into an agreement by which Bram Garber agreed to work for the Company for a period of five years at a salary of not less than $75,000 per annum and not to engage, during the same period and for two years thereafter, in any business competitive with that carried on by Peerless.

Employee Profit Sharing Plan

The Board of Directors of the Company is considering the establishment of an employee profit sharing plan which would be available to approximately 40 employees, including some officers who are directors of the Company. Terms of the plan would be subject to the respective rules and regulations of the regulatory authorities to which the Company is subject. In no event would the annual cost of the plan to Peerless be more than 5% of its operating earnings in excess of $2,000,000 (before income taxes).

Principal Shareholders

The following table sets forth as at August 30, 1972 the names, addresses and holdings of all persons or companies who, to the knowledge of the Company held, directly or indirectly, beneficially or of record, more than 10% of the common shares of the Company.

Name and Address	Type of Ownership	No. of Shares Owned before this Offering (1)	% of Shares Owned before this Offering	No. of Shares to be Owned after this Offering (1)	% of Shares to be Owned after this Offering
Bram Garber (2), 3445 Drummond Street, Apartment 1201, Montreal, Quebec.	Of record and beneficial	261,740	13.09	206,836	10.34
Peerdom Corporation (2), Place Bonaventure, P.O. Box 944, Montreal, Quebec.	Of record and beneficial	268,354	13.42	214,684	10.73
Iro Sales Corporation (3) (4) (5), Place Bonaventure, P.O. Box 944, Montreal, Quebec.	Of record and beneficial	254,592	12.73	254,592	12.73
Elsa Nusblatt and Robert Jablow in their capacity as Executors of the Estate Isidore Nusblatt (4) (5), c/o Elsa Nusblatt, Executrix, East Rockaway Road, Hewlett, Long Island, New York.	Of record and beneficial	261,938	13.10	3,938	.20

(1) Adjusted to give effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972.

(2) All of the shares of Peerdom Corporation are beneficially owned by Bram Garber.

(3) All of the shares of Iro Sales Corporation are beneficially owned to the extent of one-third each by Robert Jablow, Elsa Nusblatt and the Estate Isidore Nusblatt.

(4) The universal legatees under the will of the late Mr. Nusblatt are Elsa Nusblatt, Brenda Nusblatt Blumberg, Roslyn Kase, Marlene Schulman, Edward Nusblatt and Carol Jablow to the extent of 50%, 15%, 10%, 10%, 10% and 5%, respectively, of the residue of the Estate.

(5) The universal legatees listed in note (4), together with their associates, beneficially own, directly or indirectly, approximately 66% of the issued common shares of the Company.

As at August 30, 1972 the directors and senior officers of the Company as a group beneficially owned, directly or indirectly, 1,470,813 common shares or 73.54% of the outstanding common shares of the Company.

Selling Shareholders

The following table sets forth the names, addresses and holdings of all persons or companies who have agreed to sell the common shares offered hereby, the number of shares to be offered and the number of shares owned by each before and after this offering, adjusted to give effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972:

Names and Addresses	No. of Common Shares Owned before this Offering	% of Shares Outstanding before this Offering	No. of Shares to be Offered Hereby	No. of Shares to be Owned after this Offering	% of Shares Outstanding after this Offering
Ceil Amsterdam, 305 Barbara Circle, Chattanooga, Tennessee.	5,862	.29	1,172	4,690	.23
Sam Amsterdam, 305 Barbara Circle, Chattanooga, Tennessee.	16,152	.81	3,230	12,922	.65
Chenille Mfg. Co. Limited, c/o Weisbord, Garmaise, Alper & Vogl, Place Bonaventure, P.O. Box 1403, Montreal, Quebec.	472	.02	94	378	.02
Estate Samuel Garber, c/o Weisbord, Garmaise, Alper & Vogl, Place Bonaventure, P.O. Box 1403, Montreal, Quebec.	31,592	1.58	6,318	25,274	1.26
Bram Garber, 3445 Drummond Street, Apartment 1201, Montreal, Quebec.	261,740	13.09	54,904	206,836	10.34
Constance Felton, 5051 Clanranald, Montreal, Quebec.	24,290	1.21	4,858	19,432	.97
Stuart Kase, 2 Northwood Court, Woodbury, New York.	68,288	3.41	7,688	60,600	3.03
Elsa Nusblatt and Robert Jablow in their capacity as Executors of the Estate Isidore Nusblatt, c/o Elsa Nusblatt, Executrix, East Rockaway Road, Hewlett, Long Island, New York.	261,938	13.10	258,000	3,938	.20
Peerdom Corporation, Place Bonaventure, P.O. Box 944, Montreal, Quebec.	268,354	13.42	53,670	214,684	10.73
Dorothy Wolovnick, 127-08 Cronston Avenue, Belle Harbor, New York.	10,888	.54	2,178	8,710	.44
Marvin Wolovnick, 76 Wheatley Road, Old Westbury, New York.	32,304	1.62	7,888	24,416	1.22

Recent Reorganization

On December 28, 1971 the Company, Moose River, LaSalle, Silhouette, Kase, Allyson Realties Inc. ("Allyson"), its wholly-owned subsidiary Allyson & Raymond Ltd. and all of the shareholders of each of these companies entered into an agreement whereby all of the foregoing companies became subsidiaries of the Company. The preferred shares of the Company having a par value of $50 each were converted into 26,316 common shares without nominal or par value and the common shares of the Company having a par value of $1 each were converted into 663,435 common shares without nominal or par value. All of the common shares of Moose River, LaSalle, Silhouette, Kase and Allyson were then acquired by the Company in consideration of the issue of 291,670 of its common shares, and all of the preferred shares of Moose River, LaSalle, Silhouette and Kase were acquired in consideration of the issue of 18,579 common shares. The basis of the foregoing conversions and acquisitions, which resulted in an aggregate of 1,000,000 common shares of the Company being outstanding on December 29, 1971, was determined between the contracting parties according to the proportion that the value of each company bore to the value of all of the companies as a group.

The following table sets forth the number of shares acquired and issued by the Company and the number of shares issued for each share acquired (exchange ratio):

Name of company	Class of Share	Number of Shares Acquired	Number of Common Shares Issued (1)	Exchange Ratio
Moose River	Common	8,000	176,905	22.11
	Preferred	12,000	10,526	.88
Kase	Common	120	42,512	354.26
	Preferred	180	158	.88
Allyson	Common	90	37,688	418.76
LaSalle	Common	4,000	19,350	4.84
	Preferred	6,000	5,263	.88
Silhouette	Common	2,000	15,215	7.61
	Preferred	3,000	2,632	.88

(1) Before giving effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972.

Interest of Management and Others in Material Transactions

1. From April, 1958 to February 29, 1972 Iro Sales Corporation ("Iro") and Peerdom Corporation ("Peerdom") were retained by the Company on an exclusive basis to manage its sales of broadloom. Between July 31, 1967 and February 29, 1972, at which time such arrangement was discontinued, Iro and Peerdom received as commissions $1,181,249 and $1,190,399, respectively, and expended an aggregate of $569,664 and $582,168, respectively, for the remuneration of salesmen and payment of related selling expenses. From time to time Iro and Peerdom received commissions in anticipation of the amounts actually earned and at other times balances existed in their favour. No interest was charged or received by the Company with respect to such credit or debit balances. The following table indicates the highest overdrawn monthly balances of Iro and Peerdom in each year for the five year period ended February 29, 1972:

	Iro	Peerdom
1968	$ 2,242	$ 2,679
1969	$16,372	$ 8,071
1970	$ 1,849	$21,909
1971	$28,449	$36,416
1972	$ 7,090	$56,962

2. During the period from July 31, 1969 to the date of this prospectus, Moose River received various loans from a number of persons and companies, the particulars of which are detailed below. All amounts are expressed in U.S. dollars unless otherwise stipulated.

Name of lender	Amount Outstanding as at July 31, 1969	Date of Repayment	Date and Amount of Subsequent Loans	Date and Amount of Repayment of Loans made Subsequent to July 31, 1969	Amount Presently Outstanding
Roslyn Kase, 2 Northwood Court, Woodbury, New York.	$15,000	Oct. 2/69	–	–	–
Marlene Schulman, wife of Jerome Schulman (1).	15,000	Oct. 2/69	–	–	–
Robert Jablow (1)	100,000	–	–	–	$100,000
David Bruce Jablow, son of Robert Jablow (1).	5,000	–	–	–	5,000
Laurie Sue Jablow, daughter of Robert Jablow (1).	5,000	–	–	–	5,000
Edward Nusblatt (1)	10,000	Oct. 2/69	Nov. 13/69 $150,000	Sept. 18/70 $50,000	100,000
The late Isidore Nusblatt (1)	65,000 (2) (Can.)	Oct. 2/69	–	–	–
	80,875 (2)	Oct. 2/69	–	–	–
Brenda Nusblatt Blumberg, Pond X, Lawrence, New York.	–	–	Oct. 28/69 $100,000	–	100,000
Iro (1)	–	–	Sept. 24/70 $50,000	Mar. 31/71 $50,000	–

1. Reference is made either to "Directors and Officers" on page 8 or to "Principal Shareholders" on page 9 for the respective addresses of these lenders.
2. These amounts were also outstanding as at July 31, 1967 and bore interest at the rate of 6½% per annum between July 31, 1967 and July 31, 1969.

The aforementioned loans bore interest at the rates of 7½% per annum from July 31, 1969 to February 28, 1970, 10% per annum from March 1, 1970 to February 29, 1972 and presently bear interest at the rate of 7½% per annum. Outstanding loans are evidenced by promissory notes which mature December 29, 1973 and are guaranteed as to principal and interest by the Company.

3. The Company has from time to time made various non-interest bearing loans to Bram Garber and Peerdom. The highest aggregate monthly balance of such loans outstanding during each of the five years ended February 29, 1972 was $29,500 in 1968, $60,000 in 1969, $17,000 in 1970 and $85,000 in 1971; all of such loans were repaid on or before March 1, 1971.

4. On September 15, 1969 Bram Garber, the owner of approximately one-third of the outstanding shares of Kase, purchased from such company approximately one-third of its 50% interest in Silhouette for a cash consideration of $26,666.

5. The following shareholders of the Company, owning beneficially, directly or indirectly, more than 10% of the common shares of the Company, and directors and senior officers, and associates and affiliates of any of the foregoing persons or companies, received the following number of common shares of the Company on December 29, 1971 in exchange for shares of the Company's subsidiaries as a result of the reorganization referred to under "Recent Reorganization" on page 11: Bram Garber–45,900; Iro–103,068; Robert Jablow–7,743; Laurie Sue Jablow–5,444; David Bruce Jablow–5,444; Jerome Schulman–30,577; Jeffrey Todd Schulman–5,444; George Fisher–595; Robert Caine–2,677; Lois Howell–847; and Peerdom–41,777. The foregoing numbers do not give effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972.

6. Peerless and Sweetwater and Peerless and Carolyn Products, Inc. ("Carolyn") have from time to time bought from and sold to each other certain raw materials; such transactions have taken place at not more than the then prevailing market prices for such materials and the corresponding accounts payable and receivable have been treated by Sweetwater, Carolyn and Peerless in the ordinary course of business. Edward Nusblatt, Jerome Schulman, Robert Jablow, Elsa Nusblatt, the Estate Isidore Nusblatt and Bram Garber (to the extent of 2%) are shareholders of Sweetwater and as such may be deemed to have had an interest in the above-mentioned transactions between Sweetwater and Peerless. Sweetwater, with head office in New York City and manufacturing facilities in Ringgold, Georgia, produces and sells, principally in the United States, a line of carpeting and related products similar to those of the Company. Carolyn, with head office in New York City and principal manufacturing facilities in Dalton, Georgia, is a manufacturer of bedspreads, scatter rugs and bath mats. Of the above-mentioned shareholders of Sweetwater, Edward Nusblatt, Elsa Nusblatt and the Estate Isidore Nusblatt are also shareholders of Carolyn, as are Carol Jablow, Marlene Schulman, Brenda Nusblatt Blumberg and Roslyn Kase, who are children of Elsa Nusblatt, and the two children of Robert Jablow who are referred to under item 2 of this heading on page 12. As such they may be deemed to have had an interest in the above-mentioned transactions between Carolyn and Peerless.

7. Peerdom and Iro, which collectively owned 50% of the common shares and 40% of the preferred shares of Wescana Carpets Limited, a distributor of Peerless, and 80% of the common shares and all of the preferred shares of Derek Ward Carpet Distributors Limited, a former distributor of Peerless, disposed of such interests in 1969. The total amounts received in excess of original investment, including proceeds from disposition, by each of Peerdom and Iro with respect to their interest in these two companies was $19,460.

8. D. Miles Price, a director of the Company, is a director and a Vice-President of White, Weld & Co. of Canada Ltd. and as such has an interest in the agreement referred to under "Plan of Distribution" on page 7.

9. Ivan E. Phillips, a director of the Company, is a partner in the law firm which acts as general legal counsel for the Company and which is referred to on the cover page of this prospectus.

Promoters

Bram Garber, the late Isidore Nusblatt and Iro may be deemed to be promoters of the Company as that term is defined in the securities legislation of various provinces of Canada. During the five years preceding the date of this prospectus, Mr. Garber received direct remuneration from the Company aggregating $101,417. Reference is made to "Remuneration of Directors and Senior Officers" and "Interest of Management and Others in Material Transactions" on pages 9 and 11, respectively, for details concerning other considerations and amounts received, directly or indirectly, from Peerless during the same period by Mr. Garber, the late Mr. Nusblatt and Iro.

On December 29, 1971 the Company acquired the shares listed in the following table from Bram Garber and Iro in consideration for the issue of 190,745 of its common shares:

Name of Promoter	Name of Company	Number & Class of Shares Acquired		Number of Common Shares Issued (1)
Bram Garber	Moose River	2,480	Common	54,841
		3,720	Preferred	3,263
	Silhouette	566⅔	Common	4,311
		850	Preferred	746
	LaSalle	1,702	Common	8,234
		2,550	Preferred	2,236
	Kase	39½	Common	13,993
		60	Preferred	53
				87,677 (2)
Iro (3)	Moose River	4,000	Common	88,452
		6,000	Preferred	5,263
	LaSalle	1,520	Common	7,353
		2,280	Preferred	2,000
				103,068

(1) Before giving effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972.

(2) Including 41,777 shares issued to Peerdom, all the shares of which company are beneficially owned by Bram Garber.

(3) The Estate Isidore Nusblatt is the owner of a one-third equity interest in the shares of Iro.

Material Contracts

Particulars of material contracts entered into by the Company in the two years preceding the date of this prospectus other than contracts entered into in the ordinary course of business are as follows:

(i) the agreement dated December 28, 1971 referred to under "Recent Reorganization" on page 11.

(ii) the agreement dated October 3, 1972 referred to under "Plan of Distribution" on page 7.

Copies of the contracts referred to above may be inspected at the head office of the Company at Place Bonaventure, Montreal, Quebec, during ordinary business hours at any time during the period of primary distribution to the public of the securities offered hereby and for a period of 30 days thereafter.

Auditors, Registrar and Transfer Agents

The Auditors of the Company are Victor, Reisler, Gold & Co., Chartered Accountants, Suite 540, Dominion Square Building, 1010 St. Catherine West, Montreal, Quebec. For the purposes of this offering Price Waterhouse & Co., Chartered Accountants, 5 Place Ville Marie, Montreal, Quebec, have been appointed to report on the financial statements for the periods indicated in their report.

The transfer agent and registrar for the common shares of the Company is The Royal Trust Company at its principal office in each of the cities of Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver; the co-transfer agent for the common shares of the Company is Bank of Montreal Trust Company in New York City, New York.

PEERLESS RUG LIMITED
and Subsidiary Companies

Consolidated Balance Sheet
May 31, 1972

Assets

Current assets:		
Cash		$ 316,512
Accounts receivable, less allowance for doubtful accounts of $256,275		5,004,554
Due from 50% owned companies		1,137,003
Inventories, at the lower of average cost and net realizable value–		
Raw materials	$2,007,681	
Work in process	1,752,813	
Finished goods	1,481,349	5,241,843
Prepaid expenses		60,564
		11,760,476
Investments in 50% owned companies (Note 2)		190,908
Fixed assets, at cost:		
Land	$ 16,490	
Buildings	2,491,197	
Plant and equipment	6,294,651	
	8,802,338	
Less: Accumulated depreciation (Note 8)	5,334,514	3,467,824
Other assets		68,825
		$15,488,033

Liabilities

Current liabilities:		
Bank indebtedness – secured (Note 3)		$2,812,428
Accounts payable and accrued liabilities		3,135,805
Income taxes payable		606,514
Current portion of long-term debt (Note 4)		274,541
Provision for unrealized profits – net (Note 5)		99,302
		6,928,590
Long-term debt (Note 4)		1,103,483
Deferred income taxes		16,017

Shareholders' Equity

Capital Stock (Notes 6 and 10)	$1,025,000	
Contributed surplus (Note 7)	234,648	
Retained earnings	6,180,295	7,439,943
		$15,488,033

On behalf of the Board:

(Signed) Bram Garber, Director

(Signed) George Fisher, Director

See notes to financial statements

PEERLESS RUG LIMITED
and Subsidiary Companies

Consolidated Statement of Earnings

	Three months ended		Year ended last day of February				
	May 31, 1972	May 31, 1971 (unaudited)	1972	1971	1970	1969 (Note 1)	1968 (Note 1)
Sales	$6,782,238	$4,822,272	$23,991,264	$18,388,629	$20,022,221	$18,390,933	$15,206,608
Cost of sales	4,871,706	3,612,903	17,639,915	14,812,948	15,645,370	14,003,011	11,560,501
Depreciation (Note 8)	113,037	112,879	523,847	491,182	554,660	518,081	553,735
Interest on long-term debt	29,152	32,972	129,051	144,349	143,181	152,468	131,457
Administrative and selling expenses	695,090	589,233	2,792,591	2,400,834	2,560,541	2,514,956	2,207,433
	5,708,985	4,347,987	21,085,404	17,849,313	18,903,752	17,188,516	14,453,126
Operating earnings before income taxes	1,073,253	474,285	2,905,860	539,316	1,118,469	1,202,417	753,482
Provision for income taxes–							
Current	556,954	288,603	1,530,110	315,830	607,493	715,830	374,851
Deferred (Note 8)	(23,577)	(13,887)	(36,846)	(38,121)	(39,139)	(129,593)	(17,986)
	533,377	274,716	1,493,264	277,709	568,354	586,237	356,865
Operating earnings	539,876	199,569	1,412,596	261,607	550,115	616,180	396,617
Equity in earnings of 50% owned companies (Note 2)	23,284	13,981	50,819	30,984	46,789	22,593	1,567
Net earnings	$ 563,160	$ 213,550	$ 1,463,415	$ 292,591	$ 596,904	$ 638,773	$ 398,184
Earnings per share, based upon 2,000,000 outstanding common shares (Notes 1 and 10)	$0.28	$0.11	$0.73	$0.15	$0.30	$0.32	$0.20

Consolidated Statement of Retained Earnings

	Three months ended		Year ended last day of February				
	May 31, 1972	May 31, 1971 (unaudited)	1972	1971	1970	1969 (Note 1)	1968 (Note 1)
Balance at beginning of period	$5,617,135	$4,153,720	$4,153,720	$3,861,129	$3,264,225	$2,625,452	$2,227,268
Net earnings	563,160	213,550	1,463,415	292,591	596,904	638,773	398,184
Balance at end of period	$6,180,295	$4,367,270	$5,617,135	$4,153,720	$3,861,129	$3,264,225	$2,625,452

See notes to financial statements

PEERLESS RUG LIMITED
And Subsidiary Companies
Notes to Consolidated Financial Statements

1. **Basis of consolidation:**

The consolidated financial statements include the accounts of Peerless Rug Limited (the Company) and its wholly-owned subsidiaries, Moose River Mills Ltd. (Moose River), LaSalle Blanket Co. Ltd. (LaSalle), Silhouette (1964) Ltd. (Silhouette), Kase Chemical Incorporated (Kase) and Allyson Realties Inc. (Allyson), together with its wholly-owned subsidiary, Allyson & Raymond Ltd.

On December 28, 1971 the Company, Moose River, LaSalle, Silhouette, Kase, Allyson and all of the shareholders of each of these companies entered into an agreement whereby all of the foregoing companies become subsidiaries of the Company. All of the common shares of Moose River, LaSalle, Silhouette, Kase and Allyson were acquired by the Company in consideration of the issue of 291,670 common shares of the Company and all of the preferred shares of Moose River, LaSalle, Silhouette and Kase were acquired in consideration of the issue of 18,579 common shares. The basis of the foregoing acquisitions was determined between the contracting parties according to the proportion that the value of each company bore to the value of all of the companies as a group. The fair value of the shares issued by the Company, as determined by the Directors, for the acquisition of the shares of these companies was $3,537,053 which exceeded the book value of their net assets by $1,572,184.

The foregoing transaction has been recorded as a pooling of interests, and accordingly the net assets of the companies have been accounted for at the values carried in the books of the combining companies. The comparative consolidated statement of earnings has been restated as though the companies had been combined for the period covered by that statement. Earnings per share throughout the period have been computed on the basis of the shares outstanding after giving effect to the 2-for-1 subdivision of the common shares of the Company on August 30, 1972 (Note 10).

Prior to 1969, certain subsidiaries had fiscal year ends other than the last day of February. For purposes of comparison, the results of operations of these companies have been prorated to reflect their results on a last day of February year end basis for the years 1968 and 1969. By February 28, 1969, all subsidiary companies had adopted the last day of February as their year end.

2. **Investments in 50% owned companies:**

These investments are accounted for on the equity method, and accordingly consolidated earnings include the Company's share of the net income of 50% owned companies. The amount of $190,908 shown in the consolidated balance sheet represents the Company's holding of capital stock at cost of $40,000 and its equity in undistributed net income of $150,908.

3. **Bank indebtedness:**

All bank indebtedness, including the term loan (Note 4), is secured by assignments of inventories and accounts receivable.

4. **Long-term debt:**

Peerless Rug Limited–		
Bank loan, payable in monthly instalments of $8,000 to 1975 (a)		$ 296,000
Moose River Mills Ltd.–		
6½% first mortgage loan, payable in monthly blended capital and interest instalments of $6,487 to September 1977 and $2,600 to July 1980	$370,570	
7½% notes payable to shareholders of Peerless due December 29, 1973 (b)	326,900	
		697,470
LaSalle Blanket Co. Ltd.–		
11% first mortgage loan payable in monthly instalments of $3,000 to 1977		198,000
Allyson Realties Inc. and subsidiary–		
7% mortgage loan, payable in monthly blended capital and interest instalments of $925 to 1974	26,183	
8% second mortgage loan, payable in monthly instalments of $2,000 to 1976	100,000	
		126,183
Sundry indebtedness		60,371
		1,378,024
Less: Portion due within one year included in current liabilities		274,541
		$1,103,483

(a) The bank loan bears interest at 1½% over prime rate.

(b) Includes U.S. $310,000, translated into Canadian dollars at the rate of exchange in effect at May 31, 1972.

5. **Provision for unrealized profits–net:**

Profits, less applicable income taxes, on goods sold to 50% owned companies and remaining in their inventories are eliminated from net earnings. At May 31, 1972 the net amount of unrealized earnings was $99,302.

6. **Capital stock:**

Authorized–
Common shares – 2,000,000 shares without nominal or par value to be issued for a consideration not in excess of $25,000,000.

Issued–

	Number of shares	Amount
For cash	689,751	$ 667,500
For shares of subsidiaries (Note 1)	310,249	3,537,053
		4,204,553
Less: Excess of fair value determined by the directors over issued capital stock recorded in the accounts of the individual subsidiary companies, deducted in consolidation to record transaction as a pooling of interests		3,179,553
	1,000,000	$1,025,000

7. **Contributed surplus:**

Contributed surplus consists of grants received under the Regional Development Incentives Act (1971–$121,418; 1972–$14,306) and amounts of $43,925 and $54,999 paid in by shareholders in excess of par value of shares in the fiscal years ending February 28, 1967 and 1970 respectively.

8. **Depreciation and income taxes:**

Depreciation has been provided in the accounts by the declining balance method at the maximum normal rates permitted for income tax purposes, except that depreciation has been provided at reduced rates on special machines, having an original cost of $388,600, designed to produce non-woven fabrics. Production from such machines has been limited due to technical difficulties.

For the purpose of computing income taxes payable, the companies have from time to time claimed capital cost allowances in excess of depreciation recorded in the accounts. Provisions for income taxes are recorded on the basis of accounting income and the effects of timing differences between depreciation recorded and capital cost allowances claimed for income tax purposes are accounted for as deferred income taxes.

9. **Contingent liabilities and commitments:**

(a) The Company is contingently liable for bank guarantees on behalf of the 50% owned companies in an amount of $512,500 and sundry other guarantees of $18,800.

(b) The Company intends to make capital expenditures in the current fiscal year of approximately $1,250,000. Commitments have been obtained by the Company from lenders for $850,000 of new long term debt at various maturity dates and rates approximating current rates to partially finance this project. The balance is being financed from internally generated funds. An amount of $225,000 has been borrowed to date.

(c) The Company is committed to various long-term leases on equipment and premises as follows:

Equipment – Various leases to May 1975. The total cost over the term of the leases will be $200,121, of which the projected cost during the next twelve months will be $73,691.

Premises – Lease to May 1, 1977. The total cost over the term of this lease will be $147,958 of which the projected cost during the next twelve months will be $30,093.

(d) The Government of Canada has approved grants of $135,724 in connection with the expansion projects of one of the companies. These grants have been accepted with the usual commitment to fulfill the terms and conditions set out in the Regional Development Incentives Act and Regulations.

10. **Subsequent event:**

By supplementary letters patent dated August 30, 1972 the 2,000,000 authorized common shares of the Company were subdivided into 4,000,000 common shares of which 2,000,000 are issued and outstanding.

Auditors' Reports

To the Directors of
Peerless Rug Limited:

We have examined the consolidated balance sheet of Peerless Rug Limited and subsidiary companies as at May 31, 1972 and the consolidated statements of earnings and retained earnings for the five years ended February 29, 1972 and the three months ended May 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in earnings of 50% owned companies, we have relied upon the reports of the auditors who examined the financial statements of these companies.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at May 31, 1972 and the results of their operations for the five years ended February 29, 1972 and the three months ended May 31, 1972, in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Quebec
October 3, 1972

(Signed) Victor, Reisler, Gold & Co.
Chartered Accountants

To the Directors of
Peerless Rug Limited:

We have examined the consolidated balance sheet of Peerless Rug Limited and subsidiary companies as at May 31, 1972 and the consolidated statements of earnings and retained earnings for the year ended February 29, 1972 and the three months ended May 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in earnings of 50% owned companies, we have relied upon the reports of the auditors who examined the financial statements of these companies.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at May 31, 1972 and the results of their operations for the year ended February 29, 1972 and the three months ended May 31, 1972, in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Quebec
October 3, 1972

(Signed) Price Waterhouse & Co.
Chartered Accountants

Purchasers' Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act (Manitoba) and sections 64 and 65 of The Securities Act (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution (described as "distribution to the public" under The Securities Act (Ontario)):

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

(a) a purchaser has a right to rescind a contract for the purchase of such security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

October 3, 1972

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act (Manitoba) and by Part VII of The Securities Act (Ontario), and the respective regulations thereunder and under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

(Signed) Bram Garber
Chief Executive Officer

(Signed) George Fisher
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Edward A. Nusblatt
Director

(Signed) Jerome B. Schulman
Director

Promoters

(Signed) Bram Garber

Iro Sales Corporation
By: (Signed) Robert Jablow
President

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part VII of The Securities Act (Manitoba) and by Part VII of The Securities Act (Ontario), and the respective regulations thereunder and under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

WHITE, WELD & CO. OF CANADA LTD.

By: (Signed) D. Miles Price

DOMINION SECURITIES CORPORATION LIMITED

By: (Signed) H. R. Lawson

White, Weld & Co. of Canada Ltd. is a wholly owned subsidiary of White, Weld & Co. Incorporated.

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Dominion Securities Corporation Limited: D. H. Ward, F. H. Logan, J. H. Davie, A. S. Fell, T. P. N. Jaffray, H. R. Lawson, P. Mackenzie, A. I. Matheson.

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